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**CITY OF MANDEVILLE, LOUISIANA**  
**FINANCIAL STATEMENTS**  
**AUGUST 31, 2011**

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Under provisions of state law this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date **MAR 07 2012**

**P&N** Postlethwaite  
& Netterville

A Professional Accounting Corporation

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CITY OF MANDEVILLE, LOUISIANA

FINANCIAL STATEMENTS

AUGUST 31, 2011

CITY OF MANDEVILLE, LOUISIANA

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## **INDEPENDENT AUDITORS' REPORT**

### Independent Auditors' Report

The Honorable Mayor and City Council  
City of Mandeville, Louisiana

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Mandeville, Louisiana (the City) as of and for the year ended August 31, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information for the City as of August 31, 2011, and the respective changes in financial position and cash flows, where applicable, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 29, 2012 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 14 and 52 through 55 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City's financial statements as a whole. The accompanying financial information as listed in the Table of Contents as Supplemental Information Schedules 5 through 7 is presented for purposes of additional analysis and is not a required part of the financial statements. The combining non-major fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The supplemental information on schedule 7 has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

*Postlethwaite + Vetterwill*

Metairie, Louisiana  
February 29, 2012

**REQUIRED SUPPLEMENTARY INFORMATION –  
MANAGEMENT’S DISCUSSION AND ANALYSIS**

**CITY OF MANDEVILLE, LOUISIANA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**AUGUST 31, 2011**

As management of the City of Mandeville, Louisiana (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City, for the fiscal year ended August 31, 2011. This management discussion and analysis (MD&A) is designed to provide an objective and easy to read analysis of the City's financial activities based on currently known facts, decisions, or conditions. It is intended to provide readers with a broad overview of City finances and an analysis of the City's short-term and long-term activities based on information presented in the financial report and fiscal policies that have been adopted by the City. Specifically, this section is designed to assist the reader in focusing on significant financial issues, provide an overview of the City's financial activity, identify changes in the City's financial position (its ability to address the next and subsequent years' challenges), identify any material deviations from the financial plan (the approved budget), and identify individual fund issues or concerns.

As with other sections of this financial reporting, the information contained with the MD&A should be considered only a part of a greater whole. We encourage readers to consider the information presented here in conjunction with additional information presented in the Required Supplemental Information (RSI) that is provided in addition to this MD&A.

**Financial Highlights**

- The assets of the City exceeded liabilities at the close of the most recent fiscal year by \$92,281,945. This is comprised of \$53,708,356 in governmental activities and \$38,573,589 in business-type activities.
- The City's total net assets increased by \$3,600,717. This is comprised of a \$3,449,361 increase from governmental activities and a \$151,356 increase from business-type activities.
- The unrestricted portion of total net assets totaled \$9,552,699. This is comprised of \$6,989,677 in governmental activities and \$2,563,022, in business-type activities. Unrestricted net assets are available for spending at the City's discretion.
- Approximately 63.2% of the City's total net assets are comprised of its investment in capital assets (e.g., land, buildings, equipment, infrastructure, etc.) less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; therefore, these assets are not available for future spending.
- Approximately 2.8% (\$2,621,816) of the City's net assets are restricted for debt service.
- Approximately 27.8% (\$25,652,647) of the City's net assets are restricted by tax levies.
- Approximately 10.4% (\$9,552,699) of the City's net assets is unrestricted.
- The City's outstanding debt decreased by \$475,000 due to normal debt service requirements.



CITY OF MANDEVILLE, LOUISIANA

MANAGEMENT'S DISCUSSION AND ANALYSIS

AUGUST 31, 2011

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities (on pages 15 and 16) provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Fund financial statements start on page 28. For governmental activities, these statements tell how these services were financed in the short-term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's financial statements. The City's financial statements consist of the following components:

- Government-Wide Financial Statements,
- Fund Financial Statements,
- Notes to the Financial Statements, and
- Other Supplemental Information, which is in addition to the financial statements themselves.

**Government-Wide Financial Statements**

The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the City's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the City's net assets changed during the year ended August 31, 2011. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety, public works, and cemetery. The business-type activities of the City include water and sewer services.

## CITY OF MANDEVILLE, LOUISIANA

### MANAGEMENT'S DISCUSSION AND ANALYSIS

AUGUST 31, 2011

#### **Fund Financial Statements**

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

#### **Governmental Funds**

*Governmental funds* are used to account for essentially the same functions reported as *government activities* in the government-wide financial statement. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term *inflows and outflows of spendable resources* as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating government's financing requirements.

Because the focus of governmental fund is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains seven individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for its four major funds: General Fund, Sales Tax Fund, Special Sales Tax Fund, and Street Construction Fund. Data from the other governmental funds are combined under the heading "Nonmajor Governmental Funds."

The City adopts an annual appropriated budget for its general fund and special revenue funds. Budgetary comparison statements have been provided for the general fund and special revenue funds to demonstrate compliance with this budget.

#### **Proprietary Fund**

The City maintains one type of proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses an enterprise fund to account for its water and sewer operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water and Sewer Departments, and is considered to be a major fund of the City.

**CITY OF MANDEVILLE, LOUISIANA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**AUGUST 31, 2011**

**Notes to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements

**Required Supplemental Information**

In addition to the financial statements and accompanying notes, this report also presents certain required supplemental information

- A. **Budgetary Comparison Schedules** - The City adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget, beginning on page 52
- B. **Analysis of Significant Budget Variances in the General Fund**
  - 1 Revenues The Intergovernmental grants revenue budget was based on anticipated grants and the large variance is due in part to grants that have been awarded but not yet received
  - 2 Expenditures Hurricane Expense is significantly over budget due to recording the expenses associated with home elevations as an expense. In the past, the City recorded these expenses as a receivable because this was reimbursed from a federal grant program

**Other Supplemental Information**

- A. Combining statements of the Non-major Governmental Funds (Bond Reserve and Bond Sinking Funds) begin on page 56

**Government-wide Financial Analysis**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. Net assets are divided into three categories, invested in capital assets, restricted, and unrestricted. The City's assets exceeded its liabilities at the close of the most recent fiscal year by \$92,281,945 (total net assets), of which \$9,552,699 is unrestricted net assets.

CITY OF MANDEVILLE, LOUISIANA

MANAGEMENT'S DISCUSSION AND ANALYSIS

AUGUST 31, 2011

The largest portion of the City's net assets reflects its investment in capital assets (e.g., land, buildings, and equipment), less any related debt used to acquire those assets that is still outstanding. The City uses these assets that are *not* available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net assets represents resources that are subject to external restriction on how they may be used. The remaining balance of *unrestricted net assets* may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

Net Assets  
August 31, 2011 and 2010

	Governmental Activities		Business-type activities		Total	
	2011	2010 (as restated)	2011	2010	2011	2010 (as restated)
Current and other assets	\$ 34,177,942	\$ 29,551,844	\$ 6,483,967	\$ 7,897,866	\$ 40,661,909	\$ 37,449,710
Capital assets	25,619,544	26,322,867	32,736,778	30,987,520	58,356,322	57,310,387
Total assets	59,797,486	55,874,711	39,220,745	38,885,386	99,018,231	94,760,097
Long-term liabilities	4,893,976	5,049,432	59,394	289,144	4,953,370	5,338,576
Other liabilities	1,195,154	566,284	587,762	174,009	1,782,916	740,293
Total liabilities	6,089,130	5,615,716	647,156	463,153	6,736,286	6,078,869
Net assets						
Invested in capital assets, net of related debt	21,718,005	21,949,885	32,736,778	30,987,520	54,454,783	52,937,405
Restricted	25,000,674	20,722,171	3,273,789	3,360,000	28,274,463	24,082,171
Unrestricted	6,989,677	7,586,939	2,563,022	4,074,713	9,552,699	11,661,652
Total net assets	\$ 53,708,356	\$ 50,258,995	\$ 38,573,589	\$ 38,422,233	\$ 92,281,945	\$ 88,681,228

The government's net assets increased by \$3,600,717 during the current fiscal year. The change in net assets is due primarily to investments in the water system improvements of \$1.6 million, street improvement of \$1.4 million, waste water treatment plant improvement of \$1.0 million and public safety equipment \$0.5 million.

**CITY OF MANDEVILLE, LOUISIANA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**AUGUST 31, 2011**

**Governmental Activities**

Governmental activities for the City include general government, public safety, public works, and cemetery. Sales and use taxes, property taxes, franchise taxes, licenses and permits, fees and fines fund most of these governmental activities. Governmental activities increased the City's net assets by \$3,449,361, or 95.8% of the total increase in the net assets of the City.

**Changes in Net Assets  
Years Ended August 31, 2011 and 2010**

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b>2011</b>	<b>2010 (as restated)</b>	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010 (as restated)</b>
Revenues						
Program Revenues						
Charges for services	\$ 816,033	\$ 828,179	\$ 3,101,899	\$ 3,043,885	\$ 3,917,932	\$ 3,872,064
Operating grants and contributions	157,664	826,121	-	-	157,664	826,121
Capital grants and contributions	197,182	472,489	28,969	1,785,248	226,151	2,257,737
General revenues						
Property taxes	2,694,861	2,645,434	-	-	2,694,861	2,645,434
Franchise taxes	986,720	873,985	-	-	986,720	873,985
Sales and use taxes	13,473,075	12,852,162	-	-	13,473,075	12,852,162
Licenses and permits	1,346,077	1,355,664	-	-	1,346,077	1,355,664
Fines and forfeitures	199,087	238,815	-	-	199,087	238,815
Investment earnings	111,105	117,258	47,597	58,543	158,702	175,801
Other general revenues	309,205	261,372	-	-	309,205	261,372
Gain (loss) on disposal	11,977	(1,500)	-	-	11,977	(1,500)
Total revenues	20,302,986	20,469,979	3,178,465	4,887,676	23,481,451	25,357,655
Expenses						
General government	5,201,465	5,210,200	-	-	5,201,465	5,210,200
Public safety	5,559,210	5,415,901	-	-	5,559,210	5,415,901
Public works	4,340,869	4,262,403	-	-	4,340,869	4,262,403
Cemetery	19,661	19,510	-	-	19,661	19,510
Interest on long-term debt	185,420	174,717	-	-	185,420	174,717
Water	-	-	1,551,827	1,525,069	1,551,827	1,525,069
Sewer	-	-	3,022,282	2,261,009	3,022,282	2,261,009
Total expenses	15,306,625	15,082,731	4,574,109	3,786,078	19,880,734	18,868,809
Change in net assets before transfers	4,996,361	5,387,248	(1,395,644)	1,101,598	3,600,717	6,488,846
Transfers	(1,547,000)	(1,534,000)	1,547,000	1,534,000	-	-
Change in net assets	3,449,361	3,853,248	151,356	2,635,598	3,600,717	6,488,846
Net assets, beginning of year	50,258,995	46,405,747	38,422,233	35,786,635	88,681,228	82,192,382
Net assets, end of year	\$ 53,708,356	\$ 50,258,995	\$ 38,573,589	\$ 38,422,233	\$ 92,281,945	\$ 88,681,228

**CITY OF MANDEVILLE, LOUISIANA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**AUGUST 31, 2011**

Key elements of the change in net assets from governmental activities are as follows

- Operating grants and contributions decreased by \$688,457, or 80.9%, because grants were not relatively available as in the previous year
- Capital grants and contributions decreased by \$275,307, or 58.3%, because grants were not relatively available as in the previous year
- Sales and use taxes increased by \$620,913, or 4.8%, due to an increase in sales revenues from local retailers compared to the prior year for the period of December to May indicating a confidence in the local economy, thereby increasing the sales tax collected
- Franchise taxes increased by \$112,735, or 12.9%. Franchise taxes are based on the utilization of utilities and phone services. The cost of fuel and the dry summer resulted in an increase in revenues for utility companies
- Public safety expenses increased by \$143,309, or 2.6%, primarily due to the addition of space at the Mandeville police station
- The total transferred from governmental activities to business-type activities was \$1,547,000

**Business-Type Activities**

Business-type activities increased the City's net assets by \$151,356, or 4.2%, of the total increase in the government's net assets. Key elements of this increase are as follows:

- Capital grants and contributions decreased by \$1,756,279, or 98.4%, primarily due to the City receiving a grant to fund facility improvements at the waste water treatment plan in 2010. The grant from the Office of Coastal Protection and Restoration was not received in 2011.
- Sewer expenses increased by \$761,273, or 33.7%, due to litigation settlement expense and the relocation of the sewer lift station
- The total transferred to business-type activities from governmental activities was \$1,547,000

CITY OF MANDEVILLE, LOUISIANA

MANAGEMENT'S DISCUSSION AND ANALYSIS

AUGUST 31, 2011

**Financial Analysis of the Government's Funds**

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements

**Governmental Funds**

The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows, and balances of expendable resources. Such information is useful in assessing the City's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of August 31, 2011, the City's governmental funds reported a combined ending fund balance of \$32,876,428, an increase of \$3,965,212 when compared to the prior year. Unassigned fund balance, as of August 31, 2011, was \$4,923,335. The restricted fund balance in the amount of \$25,000,674 is primarily reserved to pay debt service and for public works projects. Committed fund balance was \$2,949,540 and non-spendable fund balance was \$2,879.

*General Fund*

The general fund is the chief operating fund of the City. At August 31, 2011, the fund balance of the general fund was \$8,358,046. The fund balance of the City's general fund decreased by \$30,318 for the year ended August 31, 2011. Key factors relative to this change are as follows:

- Franchise tax revenue increased \$112,735, or 12.9%. Franchise taxes are based on the utilization of utilities and phone services. The cost of fuel and the dry summer resulted in an increase in revenues for utility companies.
- The decrease in intergovernmental grants revenue of \$418,645, or 72.6%, is due to the completion of grants related to previous emergencies.
- The decrease in disaster income of \$262,730, or 78.9%, is due to the completion of grants in connection with Hurricane Katrina.
- Public safety expenditures increased \$173,483, or 3.3%, due to the addition of space at the Mandeville police station.
- Public works expenditures decreased \$377,655, or 17.1%. During the year ended August 31, 2011, the City was in a planning phase to determine the appropriate use of funds for future infrastructure projects within the City.
- Capital outlays expenditures decreased \$345,955, or 30.7%. During the year ended August 31, 2011, the City was in a planning phase to determine the appropriate use of funds for future infrastructure projects within the City.

**CITY OF MANDEVILLE, LOUISIANA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**AUGUST 31, 2011**

**General Fund  
Changes in Fund Balance  
Years Ended August 31, 2011 and 2010**

	<u>2011</u>	<u>2010 (as restated)</u>
Revenue		
Property taxes	\$ 2,665,312	\$ 2,619,498
Franchise taxes	986,720	873,985
Intergovernmental grants	157,664	576,309
Licenses and permits	1,346,077	1,355,664
Fines and forfeitures	199,087	238,815
Charges for services	816,033	828,179
Disaster income	70,144	332,874
Interest income	23,516	22,283
Miscellaneous	352,800	261,372
Total revenues	<u>6,617,353</u>	<u>7,108,979</u>
Expenditures		
General government	4,319,346	4,388,089
Public safety	5,354,051	5,180,568
Public works	1,827,094	2,204,749
Cemetery	19,661	19,510
Capital outlay	780,837	1,126,792
Total expenditures	<u>12,300,989</u>	<u>12,919,708</u>
Excess (Deficiency) of Revenues over Expenditures	(5,683,636)	(5,810,729)
Other Financing Sources		
Transfers in	<u>5,653,318</u>	<u>5,840,500</u>
Total other financing sources	<u>5,653,318</u>	<u>5,840,500</u>
Net change in fund balance	(30,318)	29,771
Fund balance, beginning of year	<u>8,388,364</u>	<u>8,358,593</u>
Fund balance, end of year	<u>\$ 8,358,046</u>	<u>\$ 8,388,364</u>



**CITY OF MANDEVILLE, LOUISIANA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**AUGUST 31, 2011**

*Sales Tax Fund*

The sales tax fund has a total fund balance of \$0. All revenues of the sales tax fund are transferred out to the General Fund, Special Sales Tax Fund, and the Street Construction Fund.

*Special Sales Tax Fund*

The special sales tax fund has a total fund balance of \$9,338,310, all of which is restricted for public works projects and debt service. The net increase in fund balance during the current year in the special sales tax fund was \$1,820,621. The City Administration during the fiscal year ended 2011 began long-term planning to evaluate the needs for improvement, which are necessary to the infrastructure to better serve and protect the citizens of the City of Mandeville.

*Street Construction Fund*

The street construction fund has a total fund balance of \$12,549,914, all of which is restricted for capital improvements. The net increase in fund balance during the current year in the special sales tax fund was \$2,272,410. Projects that were planned for fiscal year 2011 were delayed as the study for future street infrastructure projects was developed.

**Proprietary Fund**

The City's proprietary fund provides the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the Water and Sewer Departments at the end of the year amounted to \$2,563,022. The total increase in net assets was \$151,356. Other factors concerning the finances of this fund have already been addressed in the discussion of the City's business-type activities.

**General Fund Budgetary Highlights**

During the year, there was a \$5.3 million increase in appropriations between the original and final amended budget. Following are the main components of the increase:

- Capital outlay projects budgeted in previous years carried over into the current fiscal year.
- \$0.5 million supplemental appropriation to the police department for maintenance and expansion of the police station.

The increase was possible because the city has accumulated fund balance over the past few fiscal years due to changes in the City's administration. With the election of a new Mayor and the change in city engineers which slowed the process of evaluation of the infrastructure requirements of the City, The City has also seen an increase in revenue over the past few years and without a long-term trend on the sales tax revenue, the city was conservative on appropriation of the funds.

**CITY OF MANDEVILLE, LOUISIANA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**AUGUST 31, 2011**

**Capital Asset and Debt Administration**

**Capital Assets**

The City's investment in capital assets for its governmental and business type activities as of August 31, 2011, amounts to \$58,356,322 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, machinery and equipment, park facilities, roads, and water and sewer infrastructure.

Major capital asset additions during the current fiscal year included the following:

- Several police and other vehicles were acquired for the General Government at a cost of \$246,776.
- Other machinery, equipment, etc. were acquired at a cost of \$112,752 for the General Government.
- Road construction and replacement totaled \$1,410,283.
- Improvements to buildings and structures totaled \$197,605.
- Various sewer line additions and improvements were constructed by the Water and Sewer Fund at a cost of \$2,610,501.
- Equipment and vehicles were acquired for the Water and Sewer Funds at a cost of \$171,172.
- Improvements to buildings in the Water and Sewer Fund totaled \$44,108.

Additional information on the City's capital assets can be found in Note 7 of this report.

**Long-Term Debt**

At August 31, 2011, the City had total bonded debt outstanding of \$3,930,000. This total is comprised of \$365,000 in general obligation bonds, and \$3,565,000 in sales tax bonds payable from a pledge of the City's 1% Sales Tax.

Total retirement of long-term debt amounted to \$475,000 during the year ended August 31, 2011.

Additional information on the City's long-term debt can be found in Note 8 of this report.

**CITY OF MANDEVILLE, LOUISIANA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**AUGUST 31, 2011**

**Economic Factors and Next Year's Budget and Rates**

The following factors were considered in preparing the City's budget for the 2012 fiscal year

Sales tax revenues, the City's largest revenue source, increased (4.8%) in this fiscal year. The City believes that there may be a decrease in sales tax revenues in the fiscal year 2012 because of the slumping economy. Because of this, the City is taking a conservative approach to projecting sales tax revenues, therefore, for the fiscal year ended August 31, 2012, there was a modest decrease in budgeted sales tax revenue compared to the August 31, 2011, fiscal year.

**Requests for Information**

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to

Frank J. Oliveri III, Director of Finance  
City of Mandeville  
3101 E. Causeway Approach  
Mandeville, LA 70448

## **FINANCIAL STATEMENTS**

CITY OF MANDEVILLE, LOUISIANAStatement of Net AssetsAugust 31, 2011

	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
<b>Assets:</b>			
Cash and cash equivalents	\$ 8,585,289	\$ 744,465	\$ 9,329,754
Investments	24,072,064	5,284,774	29,356,838
Receivables			
Property taxes, net	14,837	-	14,837
Sales and use taxes	1,039,618	-	1,039,618
Water and sewer, net	-	354,054	354,054
FEMA	421,465	-	421,465
Other	33,000	-	33,000
Internal balances	(19,671)	19,671	-
Deposits	2,780	-	2,780
Inventory	99	81,003	81,102
Bond financing costs, net	28,461	-	28,461
Capital assets, net of depreciation	25,619,544	32,736,778	58,356,322
 Total assets	 <u>\$ 59,797,486</u>	 <u>\$ 39,220,745</u>	 <u>\$ 99,018,231</u>
<b>Liabilities:</b>			
Accounts payables and accrued liabilities	\$ 773,695	\$ 299,607	\$ 1,073,302
Deposits	98,176	288,155	386,331
Non-current liabilities			
Due within in year	729,040	14,849	743,889
Due in more than one year	4,488,219	44,545	4,532,764
 Total liabilities	 <u>\$ 6,089,130</u>	 <u>\$ 647,156</u>	 <u>\$ 6,736,286</u>
<b>Net Assets.</b>			
Invested in capital assets, net of related debt	\$ 21,718,005	\$ 32,736,778	\$ 54,454,783
Restricted for			
Public works and related bonded debt	25,000,674	3 273,789	28,274,463
Unrestricted	6,989,677	2,563,022	9,552,699
 Total net assets	 <u>\$ 53,708,356</u>	 <u>\$ 38,573,589</u>	 <u>\$ 92,281,945</u>

See accompanying notes to financial statements

CITY OF MANDEVILLE, LOUISIANAStatement of ActivitiesFor the year ended August 31, 2011

Functions/Programs	Expenses	Charges for Services	Operating Grants and Contrib- utions	Capital Grants and Contrib- utions	Net (Expense) Revenue and Changes in Net Assets		
					Governmental Activities	Business-type Activities	Total
<b>Governmental Activities</b>							
General government	\$ 5,201,465	\$ 808,973	\$ 157,664	\$ 197,182	\$ (4,037,646)	\$ -	\$ (4,037,646)
Public safety	5,559,210	-	-	-	(5,559,210)	-	(5,559,210)
Public works	4,340,869	-	-	-	(4,340,869)	-	(4,340,869)
Cemetery	19,661	7,060	-	-	(12,601)	-	(12,601)
Interest on long-term debt	185,420	-	-	-	(185,420)	-	(185,420)
Total governmental activities	15,306,625	816,033	157,664	197,182	(14,135,746)	-	(14,135,746)
<b>Business-Type Activities</b>							
Water	1,551,827	1,336,405	-	-	-	(215,422)	(215,422)
Sewer	3,022,282	1,765,494	-	28,969	-	(1,227,819)	(1,227,819)
Total business-type activities	4,574,109	3,101,899	-	28,969	-	(1,443,241)	(1,443,241)
<b>Total</b>	<b>\$ 19,880,734</b>	<b>\$ 3,917,932</b>	<b>\$ 157,664</b>	<b>\$ 226,151</b>	<b>\$ (14,135,746)</b>	<b>\$ (1,443,241)</b>	<b>\$ (15,578,987)</b>
<b>General revenues</b>							
Ad valorem (property) taxes					2,694,861	-	2,694,861
Franchise taxes					986,720	-	986,720
Sales and use taxes					13,473,075	-	13,473,075
Licenses and permits					1,346,077	-	1,346,077
Fines, forfeitures and other					199,087	-	199,087
Interest and investment earnings					111,105	47,597	158,702
Other general revenues					309,205	-	309,205
Gain on disposal					11,977	-	11,977
<b>Transfers</b>					(1,547,000)	1,547,000	-
Total general revenues and transfers					17,585,107	1,594,597	19,179,704
Changes in net assets					3,449,361	151,356	3,600,717
Net assets, beginning of year					49,213,662	38,422,233	87,635,895
Prior period adjustments					1,045,333	-	1,045,333
Net assets, beginning of year, as restated					50,258,995	38,422,233	88,681,228
Net assets, end of year					\$ 53,708,356	\$ 38,573,589	\$ 92,281,945

See accompanying notes to financial statements

**CITY OF MANDEVILLE, LOUISIANA****Governmental Funds - Balance Sheet****August 31, 2011**

	General	Sales tax Fund	Special Sales Tax Fund	Street Construction Fund	Non-Major Governmental Funds	Total
<b>ASSETS</b>						
Cash and cash equivalents	\$ 698,433	\$ 219,200	\$ 2,318,153	\$ 4,191,439	\$ 1,158,064	\$ 8,585,289
Investments	7,868,159	91,164	6,480,165	8,088,477	1,544,099	24,072,064
Receivables						
Property taxes	-	-	-	-	11,249	11,249
Sales and use taxes	-	1,039,618	-	-	-	1,039,618
FEMA	421,465	-	-	-	-	421,465
Other	33,000	-	-	-	-	33,000
Deposits	2,780	-	-	-	-	2,780
Inventory plots and crypts	99	-	-	-	-	99
Interfund receivables	603,575	-	539,992	269,998	-	1,413,565
Total assets	<u>\$ 9,627,511</u>	<u>\$ 1,349,982</u>	<u>\$ 9,338,310</u>	<u>\$ 12,549,914</u>	<u>\$ 2,713,412</u>	<u>\$ 35,579,129</u>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>LIABILITIES</b>						
Accounts payable	\$ 600,295	\$ -	\$ -	\$ -	\$ -	\$ 600,295
Accrued liabilities	149,529	-	-	-	-	149,529
Deposits	98,176	-	-	-	-	98,176
Deferred revenues	421,465	-	-	-	-	421,465
Interfund payables	-	1,349,982	-	-	83,254	1,433,236
Total liabilities	<u>1,269,465</u>	<u>1,349,982</u>	<u>-</u>	<u>-</u>	<u>83,254</u>	<u>2,702,701</u>
<b>FUND BALANCES</b>						
Nonspendable amounts						
Not in spendable form	2,879	-	-	-	-	2,879
Restricted	490,634	-	9,338,310	12,549,914	2,621,816	25,000,674
Committed	2,941,198	-	-	-	8,342	2,949,540
Unassigned	4,923,335	-	-	-	-	4,923,335
Total fund balances	<u>8,358,046</u>	<u>-</u>	<u>9,338,310</u>	<u>12,549,914</u>	<u>2,630,158</u>	<u>32,876,428</u>
Total liabilities and fund balances	<u>\$ 9,627,511</u>	<u>\$ 1,349,982</u>	<u>\$ 9,338,310</u>	<u>\$ 12,549,914</u>	<u>\$ 2,713,412</u>	<u>\$ 35,579,129</u>

See accompanying notes to financial statements

CITY OF MANDEVILLE, LOUISIANAReconciliation of the Governmental Funds' Balance Sheet to the Statement of Net AssetsAugust 31, 2011

Total fund balances – governmental funds	\$ 32,876,428
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The cost of capital assets (land, buildings, furniture and equipment) purchased or constructed is reported as an expenditure in governmental funds. The Statement of Net Assets includes those capital assets among the assets of the City as a whole. The cost of those assets is allocated over their estimated useful lives (as depreciation expense) to the various programs and reported as governmental activities in the Statement of Activities. Because depreciation expense does not affect financial resources, it is not reported in governmental funds.

Cost of capital assets	\$ 64,193,344	
Accumulated depreciation	<u>(38,573,800)</u>	25,619,544

Bond financing costs are reported as expenditures in governmental funds, but are capitalized and amortized over the life of the bonds in the government-wide financial statements	28,461
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Revenues in the statement of activities that do not provide current financial resources and are not reported as revenues in the funds	425,053
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Interest expense is accrued at year-end in the government-wide financial statements, but is recorded only if due and payable on the governmental fund financial statements	(23,871)
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Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities – both current and long-term – are reported in the Statement of Net Assets.

Long-term liabilities consist of		
Bonds payable	\$ (3,930,000)	
Net other post-employment benefit obligation	(963,976)	
Compensated absences	<u>(323,283)</u>	<u>(5,217,259)</u>

Net assets – governmental activities	<u>\$ 53,708,356</u>
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See accompanying notes to financial statements



CITY OF MANDEVILLE, LOUISIANAStatement of Revenues, Expenditures, and Changes in  
Fund Balances - All Governmental Fund TypesFor the year ended August 31, 2011

	General	Sales tax Fund	Special Sales Tax Fund	Street Construction Fund	Non-major Governmental Funds	Total
<b>REVENUES</b>						
<b>Taxes</b>						
Ad valorem	\$ 2,665,312	\$ -	\$ -	\$ -	\$ 23,961	\$ 2,691,273
Franchise	986,720	-	-	-	-	986,720
Sales and Use	-	13,473,075	-	-	-	13,473,075
Intergovernmental	157,664	-	-	-	-	157,664
Licenses and permits	1,346,077	-	-	-	-	1,346,077
Fines and forfeitures	199,087	-	-	-	-	199,087
Charges for services	816,033	-	-	-	-	816,033
Disaster income	70,144	-	-	-	-	70,144
Interest income	23,516	1,441	45,668	24,994	15,486	111,105
Donations	9,800	-	-	-	-	9,800
Other	343,000	-	-	-	-	343,000
<b>Total revenues</b>	<b>6,617,353</b>	<b>13,474,516</b>	<b>45,668</b>	<b>24,994</b>	<b>41,447</b>	<b>20,203,978</b>
<b>EXPENDITURES</b>						
General government	4,319,346	154,947	800	(322)	21,753	4,496,524
Public safety	5,354,051	-	-	-	-	5,354,051
Public works	1,827,094	-	-	381,392	-	2,208,486
Cemetery	19,661	-	-	-	-	19,661
Debt service						
Principal	-	-	-	-	475,000	475,000
Interest and fiscal charges	-	-	-	-	157,992	157,992
Capital outlay	780,837	-	-	1,199,215	-	1,980,052
<b>Total expenditures</b>	<b>12,300,989</b>	<b>154,947</b>	<b>800</b>	<b>1,580,285</b>	<b>654,745</b>	<b>14,691,766</b>
<b>EXCESS (DEFICIENCY) OF REVENUES</b>						
<b>  OVLR EXPENDITURES</b>	<b>(5,683,636)</b>	<b>13,319,569</b>	<b>44,868</b>	<b>(1,555,291)</b>	<b>(613,298)</b>	<b>5,512,212</b>
<b>OTHER FINANCING SOURCES (USES)</b>						
Operating transfers in	5,653,318	-	5,269,550	3,827,701	515,797	15,266,366
Operating transfers out	-	(13,319,569)	(3,493,797)	-	-	(16,813,366)
<b>Total other financing sources (uses)</b>	<b>5,653,318</b>	<b>(13,319,569)</b>	<b>1,775,753</b>	<b>3,827,701</b>	<b>515,797</b>	<b>(1,547,000)</b>
<b>EXCESS (DEFICIENCY) OF REVENUES</b>						
<b>  AND OTHER SOURCES OVER</b>						
<b>  EXPENDITURES AND OTHER USES</b>	<b>(30,318)</b>	<b>-</b>	<b>1,820,621</b>	<b>2,272,410</b>	<b>(97,501)</b>	<b>3,965,212</b>
<b>FUND BALANCES - BEGINNING OF YEAR</b>	<b>7,906,016</b>	<b>266,353</b>	<b>6,993,015</b>	<b>10,015,166</b>	<b>2,727,659</b>	<b>27,908,209</b>
<b>PRIOR PERIOD ADJUSTMENTS</b>	<b>482,348</b>	<b>(266,353)</b>	<b>524,674</b>	<b>262,338</b>	<b>-</b>	<b>1,003,007</b>
<b>FUND BALANCES - BEGINNING OF YEAR, AS RESTATED</b>	<b>8,388,364</b>	<b>-</b>	<b>7,517,689</b>	<b>10,277,504</b>	<b>2,727,659</b>	<b>28,911,216</b>
<b>FUND BALANCES - END OF YEAR</b>	<b>\$ 8,358,046</b>	<b>\$ -</b>	<b>\$ 9,338,310</b>	<b>\$ 12,549,914</b>	<b>\$ 2,630,158</b>	<b>\$ 32,876,428</b>

See accompanying independent auditors' report

CITY OF MANDEVILLE, LOUISIANAReconciliation of the Governmental Funds' Statement of Revenues,  
Expenditures, and Changes in Fund Balance to the Statement of ActivitiesFor the year ended August 31, 2011

Total net changes in fund balances -- governmental funds	\$ 3,965,212
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Amounts reported for governmental activities in the Statement of Activities are different because

Governmental funds report capital outlays as expenditures. However in the statement of activities the costs of those assets are allocated over their estimated useful lives and are reported as depreciation expense. This represents the amount that depreciation exceeded capital outlays and the gain on disposals in the current period	(703,323)
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The issuance of long-term debt (e.g. bonds) provide current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. This amount is the net effect of these differences in the treatment of long-term debt.

Bond principal payments	475,000
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Bond financing costs are reported as expenditures in governmental funds, but are capitalized and amortized over the life of the bonds in the government-wide financial statements. This represents the amortization of bond financing costs in the current year	(3,557)
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Change in revenue accruals - Under modified accrual basis of accounting, revenues are not recognized unless they are deemed "available" to finance the expenditures of the current period. Accrual basis recognition is not limited to availability, so certain revenues not available for spending are recognized in the current year	130,626
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Change in accrual basis recognition of interest expenditures	(23,871)
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Compensated absences are recorded in the governmental funds when paid, but are recorded in the statement of activities when earned. This represents the amount of compensated absences earned that exceeded amounts paid in the current period	(71,182)
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The change in the net other post-employment benefit obligation reported in the statement of activities does not require the use of current financial resources and, therefore, is not reported as an expenditure in the governmental funds	(319,544)
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Change in net assets of governmental activities	<u>\$ 3,449,361</u>
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See accompanying notes to financial statements

CITY OF MANDEVILLE, LOUISIANAProprietary Fund  
Statement of Net AssetsAugust 31, 2011

	<u>Enterprise Fund</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 744,465
Investments	5,284,774
Accounts receivable (net of allowance for uncollectibles)	354,054
Interfund receivable	19,671
Inventory	<u>81,003</u>
Total current assets	<u>6,483,967</u>
<b>PROPERTY, PLANT, AND EQUIPMENT</b>	
Property, plant, and equipment, at cost	46,016,249
Less Accumulated depreciation	<u>(13,279,471)</u>
Property, plant, and equipment, net	<u>32,736,778</u>
Total assets	<u><u>\$ 39,220,745</u></u>
<b>LIABILITIES AND NET ASSETS</b>	
<b>LIABILITIES</b>	
Accounts and other payables	\$ 299,607
Customer deposits	288,155
Accrued compensated absences	<u>59,394</u>
Total current liabilities	<u>647,156</u>
Total liabilities	<u>647,156</u>
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	32,736,778
Restricted	3,273,789
Unrestricted	<u>2,563,022</u>
Total net assets	<u>38,573,589</u>
Total liabilities and net assets	<u><u>\$ 39,220,745</u></u>

See accompanying notes to financial statements

CITY OF MANDEVILLE, LOUISIANAProprietary FundStatement of Revenues, Expenses, and Changes in Fund Net AssetsFor the year ended August 31, 2011

	<u>Enterprise Fund</u>
<b>OPERATING REVENUES</b>	
Charges for services	
Water fees	\$ 1,212,791
Sewer fees	1,728,147
Tapping fees	
Water	9,560
Sewer	8,725
Water service charges	24,071
Delinquent fees	73,411
Miscellaneous	14,571
Sewer impact fees	14,764
Water impact fees	<u>15,859</u>
 Total operating revenues	 <u>3,101,899</u>
<b>OPERATING EXPENSES</b>	
Water department expenses	1,551,827
Sewer department expenses	<u>3,022,282</u>
 Total operating expenses	 <u>4,574,109</u>
 Operating loss	 <u>(1,472,210)</u>
<b>NON-OPERATING REVENUES</b>	
Grant income	28,969
Interest income	<u>47,597</u>
 Total non-operating revenues	 <u>76,566</u>
 <b>CHANGES IN NET ASSETS BEFORE TRANSFERS</b>	 <u>(1,395,644)</u>
 Operating Transfers	 <u>1,547,000</u>
 <b>CHANGES IN NET ASSETS</b>	 <u>151,356</u>
<b>NET ASSETS</b>	
<b>BEGINNING OF YEAR</b>	<u>38,422,233</u>
 <b>END OF YEAR</b>	 <u><u>\$ 38,573,589</u></u>

See accompanying notes to financial statements

CITY OF MANDEVILLE, LOUISIANAProprietary Fund  
Statement of Cash FlowsFor the year ended August 31, 2011

	<u>Enterprise Fund</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash received from customers and users	\$ 3,078,180
Cash paid to suppliers of goods or services	(2,271,005)
Cash paid to employees	<u>(956,148)</u>
Net cash used in operating activities	<u>(148,973)</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>	
Operating grant receipts	28,969
Transfers in	1,547,000
Net payments to other funds	<u>(85,911)</u>
Net cash provided by non-capital financing activities	<u>1,490,058</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Purchase of capital assets	<u>(2,844,982)</u>
Net cash used in capital and related financing activities	<u>(2,844,982)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Proceeds from sale of investments	1,460,509
Interest received	<u>47,597</u>
Net cash provided by capital and related financing activities	<u>1,508,106</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	4,209
<b>CASH AND CASH EQUIVALENTS</b>	
<b>BEGINNING OF YEAR</b>	<u>740,256</u>
<b>END OF YEAR</b>	<u><u>\$ 744,465</u></u>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES</b>	
Operating loss	\$ (1,472,210)
Adjustments to reconcile operating loss to net cash used in operating activities	
Depreciation	1,098,296
Decrease in accounts receivable	(22,730)
Increase in accounts payable and accrued expenses	248,660
Customer deposits	<u>(989)</u>
Net cash used in operating activities	<u><u>\$ (148,973)</u></u>

See accompanying notes to financial statements

## **NOTES TO FINANCIAL STATEMENTS**

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**CITY OF MANDEVILLE, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS**

**AUGUST 31, 2011**

**(1) Summary of Significant Accounting Policies**

The City of Mandeville, Louisiana (the City) adopted the Home Rule Charter on November 16, 1985, under the provisions of Article VI, Section 5, of the Louisiana Constitution of 1974. The City operates under a Mayor - Council form of government and provides the following services as authorized by its charter: public safety, highways and streets, sanitation and utilities, health and social services, culture and recreation, public improvements, planning and zoning, and general administrative services.

The accounting policies of the City conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the more significant policies:

**(a) *Reporting Entity***

Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards established criteria for determining the governmental reporting entity and component units that should be included with the reporting entity. For financial reporting purposes, in conformance with GASB Codification Section 2100, the City includes all funds which are controlled by or dependent on the City which was determined on the basis of oversight responsibility, including accountability for fiscal and budget matters, designation and management or governing authority, and authority to issue debt. Based on these criteria, the City has determined that there are no component units that are part of the reporting entity.

**(b) *Government-Wide and Fund Financial Statements***

**Government-Wide Financial Statements**

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the non-fiduciary activities of the City as a whole. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The City's police protection, parks, recreation, community and youth services, animal control, garbage collection, public works, and general administration services are classified as governmental activities. The City's water and sewer services are classified as business-type activities.

CITY OF MANDEVILLE, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2011

(1) Summary of Significant Accounting Policies (continued)

(b) *Government-Wide and Fund Financial Statements (continued)*

In the government-wide Statement of Net Assets, both the governmental and business-type activities columns are presented on a consolidated basis by column. The City's net assets are reported in three parts - invested in capital assets, net of related debt, restricted net assets, and unrestricted net assets. The City first utilizes restricted resources to finance qualifying activities when both restricted and unrestricted net assets are available.

The government-wide Statement of Activities demonstrates the degree to which the direct expenses of the City's functions and business-type activities are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or business-type activity. Program revenues include (1) charges to customers or applicants for services or privileges provided by a given function or business-type activity, such as water and sewer use or garbage collection fees, and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or business-type activity. Taxes and other items not properly included among program revenues are reported instead as general revenues.

**Fund Financial Statements**

The accounts of the City are organized on the basis of funds or account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity or retained earnings, revenues, and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions relating to certain government functions or activities.

The funds of the City are classified into two categories - governmental and proprietary. Each category in turn, is divided into separate fund types.

Fund financial statements report detailed information about the City. The focus of governmental and proprietary fund financial statements is on major funds rather than reporting funds by type. Each major fund is reported as a separate column. The major funds reported are the General Fund, Sales Tax Fund, Special Sales Tax Fund, and the Street Construction Fund. Non-major funds are aggregated and presented in a single column. The City has three non-major funds: the Tax Collector Fund, Bond Reserve fund and Bond Sinking Fund.



CITY OF MANDEVILLE, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2011

(1) Summary of Significant Accounting Policies (continued)

(c) *Measurement Focus, Basis of Accounting, and Financial Statement Presentation*

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. An allowance for estimated uncollectible receivables is recorded for all accounts receivable older than 120 days at year-end.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes are recognized as revenue in the year for which taxes have been levied and collected. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Licenses and permits, fines and forfeitures, and miscellaneous revenues are recorded as revenues when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned.

The following are the City's major governmental funds:

General Fund - This fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

Sales Tax Special Revenue Fund (Sales Tax Fund) - This fund is used to account for the proceeds of the City's 2.5% sales and use tax and the State, Parish and Municipal Motor Vehicle sales tax. 1% of this tax is dedicated to capital expenditures for constructing, improving, extending and maintaining playgrounds and recreational facilities, public roads, streets, bridges and crossings, sewerage, garbage disposal, waterworks, fire protection, beach improvements, seawalls and extensions, harbor improvements and other works of permanent public improvements in the City. The remaining 1.5% sales and use tax and the State, Parish and Municipal Motor Vehicle sales tax is transferred 1% to the Special Sales Tax Fund and .5% to the Street Construction Fund.

CITY OF MANDEVILLE, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2011

(1) Summary of Significant Accounting Policies (continued)

(c) *Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)*

Special Sales Tax Special Revenue Fund (Special Sales Tax Fund) - This fund is used to account for 1% of the sales and use tax and the State, Parish and Municipal Motor Vehicle sales tax transferred from the Sales Tax Fund 1% became effective with elections held on November 4, 1986, and May 1, 1999, and is to be used for the purpose of constructing, acquiring, extending, improving, operating, and maintaining sewers and sewerage disposal works, waterworks improvements, streets, drains and drainage facilities, and for the repayment of bonds for related capital improvements

All monies remaining in the Special Sales Tax Fund on the 20th day of each month in excess of all reasonable and necessary expenses of collection and administration of the tax and after making the required payments into the Sinking Fund and the Reserve Fund for the current month and for prior months during which the required payments may not have been made, shall be considered surplus Such surplus may be used by the issuer for any of the purposes for which the imposition of the tax is authorized or for the purpose of retiring bonds in advance of their maturities

Street Construction Capital Projects Fund (Street Construction Fund) – This fund is used to account for the costs of constructing, acquiring, extending and improving (i) streets and/or (ii) roadside drains and roadside drainage facilities Financing is provided by a pledge of revenue to be derived from the City's collection of a 5% sales tax transferred from the Sales Tax Fund One-half percent became effective with an election held on January 20, 2001 and extended by the voters on March 27, 2010 (other than those financed by Proprietary Funds)

The City's sole proprietary fund is the Enterprise Fund

Enterprise Fund - This fund is used to account for operations of the Enterprise Fund where (a) it is financed and operated in a manner similar to a private business enterprise, and (b) the periodic determination of net income is appropriate

The City's proprietary fund applies all applicable FASB pronouncements issued on or before November 30, 1989 in accounting for its operations unless those pronouncements conflict with or contradict GASB pronouncements

CITY OF MANDEVILLE, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2011

(1) Summary of Significant Accounting Policies (continued)

(d) *Cash and Investments*

Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition

Short-term investments are stated at amortized cost, which approximates market value. Certain investments, as required by government auditing standards, are reported at fair value (quoted market price or the best available estimate)

(e) *Receivables*

Outstanding balances between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/due from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "Internal Balances."

All trade and property tax receivables are shown net of an allowance for uncollectible accounts. Trade accounts receivable in excess of 120 days comprise the trade accounts receivable allowance for uncollectibles. The property tax allowance is equal to \$133,530 of the outstanding property taxes at August 31, 2011.

Uncollectible amounts due for customers' utility receivables are recognized as bad debts through the establishment of an allowance account at the time information becomes available, which would indicate the uncollectibility of the particular receivable. The allowance was \$159,741 at August 31, 2011.

Property taxes are due on January 1st and delinquent if not paid by March 31st. Property on which the taxes have not been paid is adjudicated to the City after being offered for sale to the public. Receivables - Tax liens are reflected in the financial statements. Total property tax revenue for the year ended August 31, 2011, was \$2,691,273 and was recorded in the funds as follows:

General Fund	\$ 2,665,312
Debt Service Fund	25,961
Total	<u>\$ 2,691,273</u>

**CITY OF MANDEVILLE, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS**

**AUGUST 31, 2011**

**(1) Summary of Significant Accounting Policies (continued)**

***(f) Capital Assets***

Capital assets, which include property, plant, equipment and infrastructure assets (e g , roads, bridges, sidewalks and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are capitalized at historical cost or estimated cost if historical costs are not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The City maintains a threshold level of \$5,000 or more for capitalizing capital assets.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Improvements are capitalized over the remaining useful lives of the assets.

Capital outlays are recorded as expenditures of the general, special revenue and capital projects funds and as assets in the government-wide financial statements to the extent the City's capitalization threshold is met. In accordance with government auditing standards, infrastructure has been capitalized retroactively to 1980. Effective in fiscal year 2004, interest incurred during construction is capitalized on a government-wide basis. Interest attributable to capitalized assets as of August 31, 2011, was immaterial. Depreciation is recorded on general fixed assets on a government-wide basis. Capital outlays of the proprietary fund are recorded as fixed assets and depreciated over their estimated useful lives on a straight-line basis on both the fund basis and the government-wide basis.

The estimated useful lives are as follows:

<b><u>Description</u></b>	<b><u>Estimated Useful Lives</u></b>
Roads, bridges and infrastructure	20-40 years
Land improvements	20 years
Buildings and building improvements	20-40 years
Furniture and fixtures	7 years
Vehicles	5 years
Equipment	3-20 years

CITY OF MANDEVILLE, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2011

(1) Summary of Significant Accounting Policies (continued)

(g) *Compensated absences*

It is the City's policy to permit employees to accumulate earned but unused annual and sick pay benefits. There is no liability for unpaid accumulated sick leave since the government does not have a policy to pay any amounts when employees separate from service with the City. Employees may carry over annual leave up to 30 or 60 days depending on the employee's position. Unused annual in excess of the 30 or 60 days is forfeited on the employee's anniversary date. All annual pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in the government funds only if they have matured, for example, as a result of employee resignations and retirements.

(h) *Long-term Obligations*

In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

(i) *Restricted Net Assets – Government Wide and Proprietary Fund Financial Statements*

Net assets are displayed in three components:

1. Invested in capital assets, net of related debt - consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any borrowings that are attributable to the acquisition, construction or improvement of those assets.

CITY OF MANDEVILLE, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2011

(1) Summary of Significant Accounting Policies (continued)

(i) *Restricted Net Assets – Government Wide and Proprietary Fund Financial Statements (continued)*

- 2 Restricted net assets - net assets with constraints placed on the use either by
  - a external groups such as creditors, grantors, contributors or laws or regulations of other governments, or
  - b law through constitutional provisions or enabling legislation
- 3 Unrestricted net assets - all other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt "

(j) *Fund Balance*

In the governmental fund financial statements, fund balances are classified as follows

- 1 Non-Spendable Fund Balance - amounts that cannot be spent either because they are in a non-spendable form or because they are legally or contractually required to be maintained intact
- 2 Restricted Fund Balance - amounts that can be spent only for specific purposes because of the City Charter, the City Code, state or federal laws, or externally imposed conditions by grantors, creditors, or citizens
- 3 Committed Fund Balance - amounts that can be used only for specific purposes determined by a formal action by City Council ordinance or resolution
- 4 Assigned Fund Balance - amounts that are constrained by the City's intent that they will be used for specific purposes The City Council is the only body authorized to assign amounts for a specific purpose and is the highest level of decision-making Therefore, amounts must be reported as committed
- 5 Unassigned Fund Balance - all amounts not included in other spendable classifications

The City considers restricted fund balances to be spent for governmental expenditures first when both restricted and unrestricted resources are available The City also considers committed fund balances to be spent first when other unrestricted fund balance classifications are available for use

CITY OF MANDEVILLE, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2011

(1) Summary of Significant Accounting Policies (continued)

(k) *Interfund Transactions*

Permanent re-allocation of resources between funds of the reporting entity is classified as interfund transfers. For the purposes of the Statement of Activities, all interfund transfers between individual governmental funds have been eliminated.

(l) *Use of Estimates*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenditures during the period. Actual results could differ from those estimates.

(2) Budgetary Procedures and Budgetary Accounting

All proposed budgets must be completed and submitted to the City Council no later than fifteen days prior to the beginning of each fiscal year. The operating budget includes proposed expenditures and the means of financing them. The final budget must be adopted before the ensuing fiscal year begins.

The City adopted a line item budget on a basis consistent with accounting principles generally accepted in the United States of America for the following fund types: general fund, special revenue funds, capital projects funds and the enterprise fund (proprietary fund). A formal budget was not adopted for the debt service funds because effective budgetary control is alternately achieved through general obligation bond provisions.

According to line item budgeting, actual expenditures for each line item may not exceed its corresponding budgeted amount. The budget may be amended under the same procedures as were followed under its adoption. The budgets presented have been amended.

Every appropriation, except an appropriation for a capital expenditure, shall lapse at the close of the fiscal year to the extent that it has not been expended or encumbered. An appropriation for a capital expenditure shall continue in force until the purpose for which it was made has been accomplished or abandoned; the purpose of any such appropriation shall be deemed abandoned if one (1) year passes without any disbursement from or encumbrance of the appropriation. The City does not utilize encumbrance accounting.

CITY OF MANDEVILLE, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2011

(3) Cash and Cash Equivalents

At August 31, 2011, the City had \$9,329,754 in cash and cash equivalents. Under state law, deposits must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance and letters of credit must at all times equal the amount on deposit with the fiscal agent.

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. At August 31, 2011, the City had \$10,397,237 (collected bank balances). These deposits are secured from risk by federal deposit insurance and \$13,119,491 of pledged securities held by the custodial bank's trust department not in the name of the City.

Louisiana Revised Statute 39:1229 imposes a requirement on the custodian bank to advertise and sell the pledged securities within 10 days of being notified by the City that the fiscal agent has failed to pay deposited funds upon demand.

(4) Investments

As of August 31, 2011, the City had the following investments:

<u>Investment</u>	<u>Maturity Date</u>	<u>Fair Value</u>
Tax Exempt Bonds	November 2011	\$ 50,234
Tax Exempt Bonds	April 2012	587,772
Certificates of Deposit	June 2012	550,000
Certificates of Deposit	July 2012	250,000
Federal Home Loan Bank	July 2012	899,839
Federal Home Loan Bank	August 2012	400,454
Federal National Mtg Assoc	November 2012	125,060
Federal Home Loan Mtg Corp S	March 2013	500,412
Certificates of Deposit	June 2013	250,000
Federal National Mtg Assoc	September 2013	909,831
Federal National Mtg Assoc	October 2013	710,599
Federal Home Loan Mtg Corp	January 2014	1,100,926
Federal National Mtg Assoc	April 2014	264,573
Federal Home Loan Bank	May 2014	300,650
Federal Home Loan Bank	June 2014	450,116
Federal National Mtg Assoc	June 2014	458,187
Federal National Mtg Assoc	July 2014	912,530
Louisiana Asset Management Pool	Not Applicable	20,635,655
		<u>\$ 29,356,838</u>



CITY OF MANDEVILLE, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2011

(4) Investments (continued)

Louisiana Asset Management Pool (LAMP) is administered by LAMP, Inc., a non-profit corporation organized under the laws of the State of Louisiana. Only local government entities having contracted to participate in LAMP have an investment interest in its pool of assets. The primary objective of LAMP is to provide a safe environment for the placement of public funds in short-term, high quality investments. The LAMP portfolio includes only securities and other obligations in which local governments in Louisiana are authorized to invest in accordance with LRS 33:2955. LAMP is a 2a7-like investment pool. LAMP is rated AAAM by Standard & Poor's. LAMP is designed to be highly liquid to give its participants immediate access to their account balances. The dollar weighted average portfolio maturity is restricted to not more than 60 days, and consists of no securities with a maturity in excess of 397 days. The investments in LAMP are stated at fair value based on quoted market rates. The fair value is determined on a weekly basis by LAMP and the value of the position in the external investment pool is the same as the net asset value of the pool shares. LAMP is subject to the regulatory oversight of the state treasurer and its board of directors. LAMP is not registered with the SEC as an investment company.

*Interest rate risk* – To the extent possible, the City will attempt to match its investments with anticipated cash flow requirements. Unless matched to a specific cash flow, the City will not directly invest in securities maturing more than one year from the date of purchase. Reserve funds may be invested in securities exceeding one year if the maturity of such investments is made to coincide as nearly as practicable with the expected use of the funds.

*Credit rate risk* – State law limits investments to the following:

- 1 Direct U.S. Treasury obligations, the principal and interest of which are fully guaranteed by the U.S. Government
- 2 Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by federal agencies, or by U.S. Government instrumentalities which are federally sponsored, and provided such obligations are backed by the full faith and credit of the U.S. government
- 3 Bonds, debentures, notes, or other evidence of indebtedness issued by the state of Louisiana or any of its political subdivisions

CITY OF MANDEVILLE, LOUISIANA  
NOTES TO FINANCIAL STATEMENTS  
AUGUST 31, 2011

(4) Investments (continued)

- 4 Direct security repurchase agreements of any federal book entry only securities enumerated in paragraphs (1) and (2) above "Direct security repurchase agreement" means an agreement under which the political subdivision buys, holds for a specified time and then sells back those securities and obligations enumerated in paragraphs (1) and (2) above
- 5 Fully collateralized time certificates of deposit of any bank domiciled or having a branch office in the state of Louisiana, savings accounts or shares of savings and loan associations and savings banks, or share accounts and share certificate accounts of federally or state-chartered credit unions issuing time certificates of deposit
- 6 Mutual or trust fund institutions which are registered with the SEC and which have underlying investments consisting solely of an limited to securities of the United States government or its agencies
- 7 Guaranteed investment contracts issued by a bank, financial institution, insurance company, or other entity having one of the two highest short-term rating categories of either Standard & Poor's Corporation or Moody's Investors Service
- 8 Investment grade (A-1/P-1) commercial paper of domestic United States corporations

*Concentration of credit risk* – It is the policy of the City to diversify its investment portfolios Assets shall be diversified to reduce the risk of loss resulting from the over concentration of assets in a specific maturity, a specific issuer or a specific class of securities More than 5% of the City's investments are in LAMP, Federal National Mortgage Association Discount Notes, Federal Home Loan Bank, and Federal Home Loan Mortgage Corporation

**CITY OF MANDEVILLE, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS**

**AUGUST 31, 2011**

**(5) Property Taxes**

Property taxes on real and personal property are levied by the City as an enforceable lien on the property as of March 31, the taxes are payable on January 1, and are delinquent on March 31

The assessed value of the property is determined by the St. Tammany Parish assessor's office. The assessed value at January 1, 2011, upon which the 2011 levies were based, was \$171,876,969. The combined 2011 tax rate was \$15.92 per \$1,000 of assessed valuation. Of this amount, \$15.82 was available for general operations and \$0.10 was available for general obligation indebtedness.

**(6) Receivables**

At August 31, 2011, receivables, net of allowances consisted of the following:

	<u>General Fund</u>	<u>Sales Tax Fund</u>	<u>Debt Service Fund</u>	<u>Proprietary Fund</u>	<u>Total</u>
Water and sewer	\$ -	\$ -	\$ -	\$ 354,054	\$ 354,054
Property taxes	-	-	11,249	-	11,249
Sales and use taxes	-	1,039,618	-	-	1,039,618
FEMA receivable	421,465	-	-	-	421,465
Other	33,000	-	-	-	33,000
	<u>\$ 454,465</u>	<u>\$ 1,039,618</u>	<u>\$ 11,249</u>	<u>\$ 354,054</u>	<u>\$ 1,859,386</u>

Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. Total allowance for doubtful accounts is \$133,530 for governmental activities and \$159,741 for the business-type activities at August 31, 2011.

**CITY OF MANDEVILLE, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS**

**AUGUST 31, 2011**

**(7) Property, Plant and Equipment**

The following is a summary of the changes in capital assets for governmental activities for the year ended August 31, 2011

<b><u>Governmental Activities</u></b>	<b><u>September 1, 2010</u></b>	<b><u>Additions</u></b>	<b><u>Deletions</u></b>	<b><u>August 31, 2011</u></b>
Nondepreciable capital assets				
Land	\$ 3,491,561	\$ -	\$ -	\$ 3,491,561
Depreciable capital assets				
Infrastructure – streets	40,707,411	1,410,283	-	42,117,694
Trace and trailhead	3,915,869	-	-	3,915,869
Drainage	6,208,266	-	-	6,208,266
Vehicles	2,005,502	248,776	(210,932)	2,043,346
Equipment	1,814,987	112,752	(30,989)	1,896,750
Buildings	3,591,194	197,605	-	3,788,799
Office equipment and furniture	96,984	10,636	-	107,620
Harbor	623,439	-	-	623,439
Total depreciable capital assets	58,963,652	1,980,052	(241,921)	60,701,783
Less accumulated depreciation for				
Infrastructure - streets	(29,665,776)	(1,776,890)	-	(31,442,666)
Trace and trailhead	(816,676)	(101,135)	2,880	(914,931)
Drainage	(1,525,947)	(186,989)	-	(1,712,936)
Vehicles	(1,363,082)	(229,705)	185,018	(1,407,769)
Equipment	(952,871)	(155,191)	22,405	(1,085,657)
Buildings	(1,619,834)	(166,532)	-	(1,786,366)
Office equipment and furniture	(67,272)	(11,973)	-	(79,245)
Harbor	(120,888)	(23,342)	-	(144,230)
Total accumulated depreciation	(36,132,346)	(2,651,757)	210,303	(38,573,800)
Depreciable capital assets, net	22,831,306	(671,705)	(31,618)	22,127,983
Total capital assets	\$ 26,322,867	\$ (671,705)	\$ (31,618)	\$ 25,619,544

Depreciation was charged to the governmental functions as follows

Infrastructure – street construction	\$ 1,036,258
Public safety – police	205,159
Public works – street maintenance	1,096,125
General government – city hall	314,215
Total	<u>\$ 2,651,757</u>

**CITY OF MANDEVILLE, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS**

**AUGUST 31, 2011**

**(7) Property, Plant and Equipment (continued)**

The following is a summary of the changes in capital assets for business-type activities for the year ended August 31, 2011

<b>Business-Type Activities</b>	<b>September 1, 2010</b>	<b>Additions</b>	<b>Deletions</b>	<b>August 31, 2011</b>
Nondepreciable capital assets				
Land	\$ 1,745,392	\$ -	\$ -	\$ 1,745,392
Depreciable capital assets				
Buildings	1,314,487	-	-	1,314,487
Water wells, lines and tower	16,106,364	1,608,742	-	17,715,106
Sewer lines	18,477,561	73,628	(6,500)	18,544,689
Equipment and vehicles	1,885,986	167,308	(128,049)	1,925,245
Wastewater treatment plant	3,776,026	995,304	-	4,771,330
Total depreciable capital assets	41,560,424	2,844,982	(134,549)	44,270,857
Less accumulated depreciation for				
Buildings	(192,278)	(27,386)	3,650	(216,014)
Water wells, lines and tower	(3,665,785)	(328,405)	-	(3,994,190)
Sewer lines	(6,478,808)	(499,529)	7,577	(6,970,760)
Equipment and vehicles	(1,061,912)	(165,479)	125,894	(1,101,497)
Wastewater treatment plant	(919,513)	(77,497)	-	(997,010)
Total accumulated depreciation	(12,318,296)	(1,098,296)	137,121	(13,279,471)
Depreciable capital assets, net	29,242,128	1,746,686	2,572	30,991,386
Total capital assets	\$ 30,987,520	\$ 1,746,686	\$ 2,572	\$ 32,736,778

Depreciation expense for business type activities is \$1,098,296 for the year ended August 31, 2011

**Construction Commitments**

The City has active construction projects as of August 31, 2011. At year end, the City's commitments with contractors are as follows:

<b>Project</b>	<b>Spent-to Date</b>	<b>Remaining Commitment</b>
North Causeway Lift Station Restoration	\$ 264,298	\$ 29,367
Mandeville Treatment Plant Rehabilitation	\$ 1,452,545	\$ 359,422
Louise Drive Drainage Improvements	\$ -	\$ 172,634
East Lakefront Children's Park Phase II	\$ 123,013	\$ 12,664

**CITY OF MANDEVILLE, LOUISIANA**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2011**

**(8) Long-Term Debt**

**Bonds Payable**

Bonds payable outstanding at August 31, 2011, are as follows

Series 2003 Water Improvement Bonds, for \$1,035,000, payable from ad valorem taxes, due in annual installments ranging from \$10,000 to \$130,000 including interest due semiannually through February 1, 2014 at rates of 0 9% to 3 4%	\$ 365,000
Series 2007 Sales Tax Refunding Bonds, for \$4,310,000, payable from special 1% sales tax (water improvements), due in annual installments ranging from \$15,000 to \$515,000 including interest due semiannually through January 1, 2019 a rate of 3 85%	<u>3,565,000</u>
Total	<u>\$ 3,930,000</u>

The annual requirements to amortize all debt outstanding as of August 31, 2011 including interest are as follows

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 495,000	\$ 140,069	\$ 635,069
2013	520,000	121,292	641,292
2014	545,000	109,432	654,432
2015	435,000	99,234	534,234
2016	450,000	82,871	532,871
2017-2019	<u>1,485,000</u>	<u>87,299</u>	<u>1,572,299</u>
	<u>\$ 3,930,000</u>	<u>\$ 640,197</u>	<u>\$ 4,570,197</u>

The City is in compliance with its debt covenants at August 31, 2011

The City is subject to the Municipal Finance Law of the State of Louisiana, which limits the amount of net bonded debt (exclusive of revenue and special assessment bonds) the City may have outstanding up to 10 percent of the assessed valuation. The statutory debt limit and the amount available for general obligation borrowing as of August 31, 2011 is \$17,187,697

**CITY OF MANDEVILLE, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS**

**AUGUST 31, 2011**

**(8) Long-Term Debt (continued)**

**Changes in Long-Term Liabilities**

A summary of changes in long-term liabilities for the year ended August 31, 2011 is as follows

	<b>September 1, 2010</b>	<b>Additions</b>	<b>Reductions</b>	<b>August 31, 2011</b>	<b>Due within one year</b>
<b>Governmental Activities:</b>					
Bonds payable					
Sales tax refunding bonds	\$ 3,930,000	\$ -	\$ (365,000)	\$ 3,565,000	\$ 380,000
Water improvement bonds	475,000	-	(110,000)	365,000	115,000
Compensated absences	252,101	489,234	(418,052)	323,283	80,821
Post-employment benefit obligation (Note 13)	644,432	319,544	-	963,976	153,219
	<u>\$ 5,301,533</u>	<u>\$ 808,778</u>	<u>\$ (893,052)</u>	<u>\$ 5,217,259</u>	<u>\$ 729,040</u>
<b>Business-type Activities</b>					
Compensated absences	<u>\$ 41,196</u>	<u>\$ 92,518</u>	<u>\$ (74,320)</u>	<u>\$ 59,394</u>	<u>\$ 14,849</u>

**(9) Fund Balances**

Fund balances for the City's governmental funds consisted of the following as of August 31, 2011

**Non-Spendable Fund Balance** – The non-spendable fund balance on the general fund is made up of inventory and deposits totaling \$2,879 that is not in spendable form

**Restricted Fund Balance** – The restricted fund balance on the general fund is made up of \$490,634 in unexpended transfers from special sales tax fund for public works projects. The restricted fund balance on the special sales tax fund is made up of \$9,338,310 for public works projects and related debt service as detailed in the 1% sales tax proposition. The capital projects fund totals \$12,549,914 in restricted fund balance and is made up of the ½ cent special sales tax and funding from the 1% sales tax dedicated for capital improvements. The tax collector fund, bond reserve fund, and bond sinking fund total \$2,621,816 restricted for debt service by bond ordinance or dedicated millage.

**Committed Fund Balance** – The bond reserve fund has accumulated interest income of \$8,342 committed for debt service. The general fund has \$2,941,198 of capital outlay projects approved by the Council and not expended as of August 31, 2011.

**CITY OF MANDEVILLE, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS**

**AUGUST 31, 2011**

**(10) Interfund Receivables and Payables**

The primary purpose of interfund receivables and payables is to loan monies from the general fund to individual funds to cover current expenditures. Individual fund balances due from/to other funds at August 31, 2011, were as follows:

<u>Fund</u>	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General Fund	\$ 624,533	\$ 20,958
Sales Tax Fund	-	1,349,982
Special Sales Tax Fund	539,992	-
Street Construction Fund	269,998	-
Debt Service Fund	-	83,254
Proprietary Fund	20,958	1,287
Total	<u>\$ 1,455,481</u>	<u>\$ 1,455,481</u>

**(11) Interfund Transfers**

Operating transfers between funds consist primarily of sales tax revenues transferred out of the sales tax fund and special sales tax fund to the particular funds for which the sales tax revenue is to be used.

Interfund transfers for the year ended August 31, 2011 were as follows:

	<u>Transfers in</u>	<u>Transfers Out</u>
<b>Governmental funds</b>		
Major funds		
General Fund	\$ 5,653,318	\$ -
Sales Tax Fund	-	13,319,569
Special Sales Tax Fund	5,269,550	3,493,797
Street Construction Fund	3,827,701	-
Non-major funds	515,797	-
Total governmental funds	<u>15,266,366</u>	<u>16,813,366</u>
<b>Proprietary fund</b>	<u>1,547,000</u>	<u>-</u>
Total all funds	<u>\$ 16,813,366</u>	<u>\$ 16,813,366</u>



CITY OF MANDEVILLE, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2011

**(12) Pension Plans**

**Municipal Employees' Retirement System of Louisiana (MERS)**

Plan Description and Provisions

All of the City's full-time employees, other than police employees, participate in MERS, a cost-sharing multiple-employer defined benefit pension plan. Employees can retire providing they meet one of the following criteria:

- 1 25 years or more service, at any age
- 2 10 years or more service, at age 60 or thereafter
- 3 Has at least five years of service credit towards the plan, is not eligible for normal retirement benefits, suffers disability and is approved by the board of trustees after medical review and is eligible to retire and receive disability retirement benefits
- 4 Survivor's benefits require five years creditable service at death of member

Generally, the monthly amount of the retirement allowance for any member shall consist of an amount equal to 3% of the member's final compensation multiplied by his years of creditable service. However, under certain conditions as outlined in the statutes, the benefits are limited to specified amounts.

If a member's employment is terminated before the member is eligible for any benefits under MERS, the member shall receive a refund of his member contributions.

A publicly available financial report for MERS is available that includes the applicable financial statements and required supplementary information the plan. The report may be obtained by writing to MERS at 7937 Office Park Blvd, Baton Rouge, LA 70809.

Funding Policy

Plan members are required to contribute 9.25%, established by state statute, of their annual covered salary, and the City is required to contribute at an actuarially determined rate. The employer's contribution rate is 16.75% and 14.25% for the years ended June 30, 2012 and 2011, respectively. The City has elected to pay the member contribution as an additional benefit to City employees. The City's contributions for the years ended August 31, 2011, 2010 and 2009, was \$373,834, \$326,862 and \$326,311, respectively, equal to the required contributions for each year.

CITY OF MANDEVILLE, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2011

(12) Pension Plans (continued)

Municipal Police Employees' Retirement Plan (MPERS)

Plan Description and Provisions

A majority of the City's full-time police officers participate in MPERS, a cost-sharing multiple-employer defined benefit pension plan

Any member is eligible for normal retirement after he or she has been a member of MPERS for one year, if he or she has 25 years of creditable service at any age, has 20 years creditable service and is age 50, or has 12 years creditable service and is age 55

Benefit rates are 3½% of average final compensation (average monthly earnings during the highest 36 consecutive months or joined months if service was interrupted) per number of years creditable service not to exceed 100% of final salary

A member is eligible to receive disability benefits if he was an active contributing member of MPERS or, if he is no longer a member but has 20 years creditable service established in MPERS and suffers disability, which has been certified by examination by a member of the Statewide Medical Disability Board. A service related disability requires no certain number of years of creditable service, however, a non-service connected disability requires ten years of creditable service for new members having an employment date after July 1, 2008. Members employed prior to July 1, 2008 require five years of creditable service.

The disability benefits are calculated at 3% of average final compensation multiplied by years of creditable service, but shall not be less than 40% or more than 60% of average final compensation. Upon reaching the age required for regular retirement, the disability pensioner receives the greater of disability benefit or accrued benefit earned to date of disability.

Upon the death of an active contributing member or disability retiree, the plan provides benefits for surviving spouses and minor children. Under certain conditions outlined in the statutes, the benefits range from 40% to 60% of the member's average final compensation.

A publicly available financial report for MPERS is available that includes the applicable financial statements and required supplementary information the plan. The report may be obtained by writing to MPERS at 7722 Office Park Blvd, Suite 200, Baton Rouge, LA 70809.

Funding Policy

The contribution requirements of the plan members and the City are established and may be amended by the MPERS Board of Trustees in accordance with state statute. The City has elected to pay the member contribution as an additional benefit to City police employees.

CITY OF MANDEVILLE, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2011

(12) Pension Plans (continued)

Municipal Police Employees' Retirement Plan (MPERS) (continued)

Funding Policy (continued)

For the year ended June 30, 2011, plan members were required to contribute 7.5% of their annual covered salary and the City was required to contribute 25%. For the year ended June 30, 2012, plan members are required to contribute 10% of their annual covered salary and the City was required to contribute 26.5% if the employee's salary is above the poverty guidelines issued by the U.S. Department of Health and Human Services. If the employee's salary is below poverty guidelines, then the contributions rates for the employee and the City are 7.5% and 29%, respectively. The City's contributions for the years ended August 31, 2011, 2010 and 2009, were \$547,419, \$291,932 and \$265,751, respectively, which equal the required contributions for each year.

(13) Post-Employment Benefits

Plan Description

The City's medical and dental benefits are provided through a self-insured medical plan and are made available to employees upon actual retirement.

The employees are covered by one of two retirement systems: first, the Municipal Employees' Retirement System of Louisiana, whose retirement eligibility (DROP entry) provisions are as follows: 25 years of service at any age, or, age 60 and 10 years of service; second, the Municipal Police Retirement System of Louisiana, whose retirement eligibility (DROP entry) provisions are as follows: 25 years of service at any age, age 50 and 20 years of service, or, age 55 and 12 years of service. Complete plan provisions are included in the official plan documents.

Contribution Rates

Employees do not contribute to their post-employment benefits costs until they become retirees and begin receiving those benefits. The plan provisions and contribution rates are contained in the official plan documents.

Funding Policy

The City recognizes the cost of providing post-employment medical/dental benefits (City's portion of the retiree medical/dental benefit premiums) as an expense when the benefit premiums were due and thus financed the cost of the post-employment benefits on a pay-as-you-go basis. The funding policy is not to fund the ARC except to the extent of the current year's retiree funding costs. In the year ended August 31, 2011, the City's portion of health care funding cost for retired employees totaled \$153,219.

CITY OF MANDEVILLE, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2011

(13) Post-Employment Benefits (continued)

Annual Required Contribution

The City's Annual Required Contribution (ARC) is an amount actuarially determined in accordance with GASB Codification. The Annual Required Contribution (ARC) is the sum of the Normal Cost plus the contribution to amortize the Actuarial Accrued Liability (AAL). A level dollar, open amortization period of 30 years (the maximum amortization period allowed by GASB Codification) has been used for the post-employment benefits. The total ARC for the fiscal year beginning September 1, 2010 is \$484,253, as set forth below:

	<u>Medical/Dental</u>
Normal Cost	\$ 210,237
30-year UAL Amortization Amount	<u>274,016</u>
Annual Required Contribution (ARC)	<u>\$ 484,253</u>

Net Post-Employment Benefit Obligation

The table below shows the City's net other post-employment benefit (OPEB) obligation for the year ended August 31, 2011:

	<u>Medical/Dental</u>
Beginning Net OPEB Obligation 9/1/2010	\$ 644,432
Annual Required Contribution (ARC)	484,253
Interest on Net OPEB Obligation	25,778
ARC Adjustment	<u>(37,268)</u>
OPEB Cost	472,763
Contributions	-
Current year retiree premium	<u>(153,219)</u>
Change in NET OPEB Obligation	<u>319,544</u>
Ending Net OPEB Obligation 8/31/2011	<u>\$ 963,976</u>

The following table shows the City's annual OPEB cost, percentage of the cost contributed, and the net unfunded OPEB liability:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual Cost Contributed</u>	<u>Net OPEB Obligation</u>
August 31, 2011	\$ 472,763	32.3%	\$ 963,976
August 31, 2010	\$ 347,720	5.4%	\$ 644,432
August 31, 2009	\$ 334,346	5.6%	\$ 315,529

CITY OF MANDEVILLE, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2011

(13) Post-Employment Benefits (continued)

Funded Status and Funding Progress

In the fiscal year ending August 31, 2011, the City made no contributions to its post-employment benefits plan. The plan has not been funded, has no assets, and hence has a funded ratio of zero. As of September 1, 2010, the most recent actuarial valuation, the Actuarial Accrued Liability (AAL) was \$4,738,306, which is defined as that portion, as determined by a particular actuarial cost method (the City uses the Projected Unit Credit Cost Method), of the actuarial present value of post employment plan benefits and expenses which is not provided by normal cost. Since the plan was not funded during the fiscal year ended August 31, 2011, the entire Actuarial Accrued Liability of \$4,738,306 (medical/dental) was unfunded.

	<u>Medical/Dental</u>
Actuarial Accrued Liability (AAL)	\$ 4,738,306
Actuarial Value of Plan Assets (AVP)	<u>-</u>
Unfunded Actuarial Accrued Liability (UAAL)	<u>\$ 4,738,306</u>
Funded Ratio (AVP/AAL)	0%
Covered Payroll (active plan members)	\$ 4,632,149
UAAL as a percentage of Covered Payroll	102.3%

Actuarial Methods and Assumptions

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. The actuarial valuation for post employment benefits includes estimates and assumptions regarding (1) turnover rate, (2) retirement rate, (3) health care cost trend rate, (4) mortality rate, (5) discount rate (investment return assumption), and (6) the period to which the costs apply (past, current, or future years of service by employees). Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

The actuarial calculations are based on the types of benefits provided under the terms of the substantive plan (the plan as understood by the City and its employee plan members) at the time of the valuation and on the pattern of sharing costs between the City and its plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the City and plan members in the future. Consistent with the long-term perspective of actuarial calculations, the actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial liabilities and the actuarial value of assets.

CITY OF MANDEVILLE, LOUISIANA  
NOTES TO FINANCIAL STATEMENTS  
AUGUST 31, 2011

(13) Post-Employment Benefits (continued)

Actuarial Cost Method

The ARC is determined using the Projected Unit Credit Cost Method. The employer portion of the cost for retiree medical care in each future year is determined by projecting the current cost levels using the healthcare cost trend rate and discounting this projected amount to the valuation date using the other described pertinent actuarial assumptions, including the investment return assumption (discount rate), mortality, and turnover.

Actuarial Value of Plan Assets

Since the OPEB obligation has not as yet been funded, there are not any assets. It is anticipated that in future valuations, should funding take place, a smoothed market value consistent with Actuarial Standards Board Actuarial Standards of Practice Number 6 (ASOP 6), as provided in GASB Codification will be used.

Turnover Rate

An age-related turnover scale based on actual experience as described by administrative staff has been used. The rates, when applied to the active employee census, produce an annual turnover of approximately 8%. The rates for each age are below:

<u>Age</u>	<u>Percent Turnover</u>
18 - 25	15.0%
26 - 40	9.0%
41 - 54	8.0%
55+	6.0%

Post-Employment Benefit Plan Eligibility Requirements

Based on past experience, it has been assumed that entitlement to benefits will commence six years after retirement eligibility (DROP entry), as described above under "Plan Description", except that police personnel were assumed to wait until age 60 and 10 years of service instead of age 55 and 12 years of service. Medical benefits are provided to employees upon actual retirement.

Investment Return Assumption (Discount Rate)

GASB Codification states that the investment return assumption should be the estimated long-term investment yield on the investments that are expected to be used to finance the payment of benefits. Since the ARC is not currently being funded and not expected to be funded in the near future, we have performed this valuation using a 4% annual investment return assumption.

CITY OF MANDEVILLE, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2011

**(13) Post-Employment Benefits (continued)**

Health Care Cost Trend Rate

The expected rate of increase in medical cost is based on projections performed by the Office of the Actuary at the Centers for Medicare & Medicaid Services as published in National Health Care Expenditures Projections 2003 to 2013, Table 3 National Health Expenditures, Aggregate and per Capita Amounts, Percent Distribution and Average Annual Percent Change by Source of Funds Selected Calendar Years 1990-2013, released in January, 2004 by the Health Care Financing Administration ([www.cms.hhs.gov](http://www.cms.hhs.gov)) "State and Local" rates for 2008 through 2013 from this report were used, with rates beyond 2013 graduated down to an ultimate annual rate of 5.0% for 2016 and later. The trend rate includes an inflation factor of 2.50% annually.

Mortality Rate

The 1994 Group Annuity Reserving (94GAR) table, projected to 2002, based on a fixed blend of 50% of the unloaded male mortality rate and 50% of the unloaded female mortality rates, was used. This is a published mortality table which was designed to be used in determining the value of accrued benefits in defined benefit pension plans.

Method of Determining Value of Benefits

The "value of benefits" has been assumed to be the portion of the premium after retirement date expected to be paid by the employer for each retiree and has been used as the basis for calculating the actuarial present value of OPEB benefits to be paid. The employee or retiree pays a flat monthly charge, currently \$46.84, and the employer pays the remainder of the cost of the medical and dental benefits for the retiree and dependents. Retiree coverage is offered only until attainment of age 65. The rates provided are "blended" rates. Since GASB Codification mandates that "unblended" rates be used, we have estimated the "unblended" rates for two broad groups: active and retired before Medicare eligibility. It has been assumed that the retiree rate before Medicare eligibility is 130% of the blended rate.

**(14) Deferred Compensation Plan**

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. An independent plan administrator through an administrative service agreement administers the plan. The City's administrative involvement is limited to transmitting amounts withheld to the plan administrator who performs investing functions.

Plan assets are held in trust for the exclusive benefit of the participants and their beneficiaries. The assets will not be diverted to any other purpose. Accordingly, the plan assets and related liabilities have not been included herein.

**CITY OF MANDEVILLE, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS**

**AUGUST 31, 2011**

**(15) Pledged Revenues**

The City issued its sales tax revenue refunding bonds in 2007 in the amount of \$4,310,000 to refund all or a portion of the outstanding Series 1999 and Series 2000 bonds and to fund the costs of issuance. The bonds are payable from and secured by an irrevocable pledge and dedication of existing 1% sales and use tax revenues.

The voters of the City passed the 1% sales and use tax dedication with elections held on November 4, 1986, and May 1, 1999, for the purpose of constructing, acquiring, extending, improving, operating, and maintaining sewers and sewerage disposal works, waterworks improvements, streets, drains and drainage facilities, and for the repayment of bonds for related capital improvements. The current proposition extends the sales and use tax dedication until December 31, 2019, which coincides with the maturity of the Series 2007 bonds.

The City transferred \$5,254,232 of 1% sales and use tax revenues into the Special Sales Tax Fund during 2011. Of this amount \$515,797 was pledged to satisfy the sinking and reserve fund requirements for the Series 2007 bond and was transferred into the debt service funds. Principal and interest of \$365,000 and \$144,279, respectively, was paid on the bonds during 2011. As of August 31, 2011 the outstanding bond principal and interest was \$3,565,000 and \$580,099, respectively.

**(16) Mausoleum Endowed Care Trust Fund**

The City entered into an agreement with the Citizens Bank and Trust Company on June 24, 1966, creating "Lake Lawn Park, Inc., Endowed Care Trust, Town of Mandeville." This Trust Fund was created to provide for the maintenance and care of the mausoleum. On January 24, 2006, the account was transferred to Argent Trust. The Trust Fund can make disbursements to the City "upon presentation to the company of an itemized and notarized statement of maintenance expenses and costs approved and signed by the mayor." This account is not reflected on the financial statements because the Trust Fund is not considered a part of the reporting entity and is not significant in total.



**CITY OF MANDEVILLE, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS**

**AUGUST 31, 2011**

**(17) Commitments and Contingencies**

The City is a defendant in several lawsuits. Damages are generally covered by insurance less deductible for risks retained by the City. The City persists in its vigorous defense of these lawsuits and maintains that the defenses available should shield the City from liability or, at a minimum, preclude the amount of damages sought by the plaintiffs. The City does not expect any material adverse impact relating to these lawsuits.

The City of Mandeville is exposed to various risks of loss related to damage and destruction of assets, errors and omissions, and injuries to employees. The City has contracted with various insurers to cover its risk of loss in these areas. The City has also contracted with various insurers to provide health insurance coverage for its workers.

**(18) Restatement**

The City identified several adjustments which impacted prior year financial statements. A summary of the impact of these adjustments is as follows:

The impact on governmental fund balance was as follows:

Fund balance, as previously reported, August 31, 2010	\$ 27,908,209
Prior period adjustments	
Related to overstatement of intergovernmental grant revenues	(294,427)
Related to overstatement of liabilities	252,101
Related to understatement of sales and use tax receivables	1,045,333
	<u>1,003,007</u>
Fund balance, as restated, August 31, 2010	<u>\$ 28,911,216</u>

The impact on net assets of governmental activities was as follows:

Net assets, as previously reported, August 31, 2010	\$ 49,213,662
Prior period adjustment	
Related to understatement of sales and use tax receivables	1,045,333
Net assets, as restated, August 31, 2010	<u>\$ 50,258,995</u>

CITY OF MANDEVILLE, LOUISIANA  
NOTES TO FINANCIAL STATEMENTS  
AUGUST 31, 2011

(19) Subsequent Events

On November 19, 2011, a special election was held to authorize the rededication of the proceeds of the 1% sales and use tax authorized at an election held on August 18, 1959. The proposition was passed allowing for the rededication of the proceeds received by the City from the levy and collection so that such proceeds (after paying the reasonable and necessary costs and expenses of collecting and administering the tax) may be used for any lawful corporate purpose of the City.

**REQUIRED SUPPLEMENTARY INFORMATION – OTHER**

CITY OF MANDEVILLE, LOUISIANAGeneral Fund  
Budget Comparison Schedule (GAAP Basis)For the year ended August 31, 2011

	Initial Budget	Final Budget	Actual on Budgetary Basis	Variance - Favorable (Unfavorable)
<b>REVENUES</b>				
Ad valorem (property) taxes	\$ 2,700,000	\$ 2,700,000	\$ 2,665,312	\$ (34,688)
Franchise taxes	870,000	940,000	986,720	46,720
Intergovernmental grants	-	682,500	157,664	(524,836)
Licenses and Permits	1,350,500	1,353,500	1,346,077	(7,423)
Fines and forfeitures	225,000	225,000	199,087	(25,913)
Charges for services	808,000	815,000	816,033	1,033
Disaster income	-	87,000	70,144	(16,856)
Interest income	10,000	23,000	23,516	516
Donations	4,000	4,500	9,800	5,300
Other	248,000	282,500	343,000	60,500
Total revenues	6,215,500	7,113,000	6,617,353	(495,647)
<b>EXPENDITURES</b>				
General government	4,004,000	4,956,500	4,319,346	637,154
Public safety	5,411,500	5,568,500	5,354,051	214,449
Public works	1,868,000	2,355,000	1,827,094	527,906
Cemetery	21,000	77,000	19,661	57,339
Capital outlay	207,500	3,854,500	780,837	3,073,663
Total expenditures	11,512,000	16,811,500	12,300,989	4,510,511
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>(5,296,500)</u>	<u>(9,698,500)</u>	<u>(5,683,636)</u>	<u>4,014,864</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating transfers in (out)				
Sales Tax Fund	4,865,500	5,207,000	5,207,000	-
Special Sales Tax Fund	431,000	431,000	431,000	-
Street Construction Fund	-	(75,000)	-	75,000
Depreciation/Reserves	(1,500,000)	(1,500,000)	-	1,500,000
Total other financing sources (uses)	3,796,500	4,063,000	5,638,000	1,575,000
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ (1,500,000)</u>	<u>\$ (5,635,500)</u>	<u>(45,636)</u>	<u>\$ 5,589,864</u>
<b>FUND BALANCE</b>				
BEGINNING OF YEAR			8,388,364	
END OF YEAR			<u>\$ 8,342,728</u>	

See accompanying independent auditors' report.

## CITY OF MANDEVILLE, LOUISIANA

Sales Tax Fund  
Budget Comparison Schedule (GAAP Basis)

For the year ended August 31, 2011

	<u>Initial Budget</u>	<u>Final Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance - Favorable (Unfavorable)</u>
<b>REVENUES</b>				
Sales and use taxes	\$ 12,600,000	\$ 13,400,000	\$ 13,473,075	\$ 73,075
Interest income	8,000	2,000	1,441	(559)
Total revenues	<u>12,608,000</u>	<u>13,402,000</u>	<u>13,474,516</u>	<u>72,516</u>
<b>EXPENDITURES</b>				
General government	<u>145,000</u>	<u>154,500</u>	<u>154,947</u>	<u>(447)</u>
Total expenditures	<u>145,000</u>	<u>154,500</u>	<u>154,947</u>	<u>(447)</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<u>12,463,000</u>	<u>13,247,500</u>	<u>13,319,569</u>	<u>72,069</u>
<b>OTHER FINANCING USES</b>				
Operating transfers out				
General Fund	(4,865,500)	(5,207,000)	(5,207,000)	-
Special Sales Tax Fund	(4,969,500)	(5,205,500)	(5,254,292)	(48,792)
Street Construction Fund	<u>(2,628,000)</u>	<u>(2,835,000)</u>	<u>(2,819,981)</u>	<u>15,019</u>
Total other financing uses	<u>(12,463,000)</u>	<u>(13,247,500)</u>	<u>(13,281,273)</u>	<u>(33,773)</u>
<b>EXCESS OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES</b>	<u>\$ -</u>	<u>\$ -</u>	38,296	<u>\$ 38,296</u>
<b>FUND BALANCE</b>				
BEGINNING OF YEAR			<u>-</u>	
END OF YEAR			<u>\$ 38,296</u>	

See accompanying independent auditors' report

## CITY OF MANDEVILLE, LOUISIANA

Special Sales Tax Fund  
Budget Comparison Schedule (GAAP Basis)

For the year ended August 31, 2011

	Initial Budget	Final Budget	Actual on Budgetary Basis	Variance - Favorable (Unfavorable)
<b>REVENUES</b>				
Interest income	\$ 25,000	\$ 50,000	\$ 45,668	\$ (4,332)
Total revenues	25,000	50,000	45,668	(4,332)
<b>EXPENDITURES</b>				
General government	1,000	1,000	800	200
Total expenditures	1,000	1,000	800	200
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	24,000	49,000	44,868	(4,132)
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating transfers in (out)				
Sales Tax Fund	4,969,500	5 205,500	5,254,232	48,732
Bond Reserve Fund	10,000	10,000	-	(10,000)
Proprietary Fund	(637,000)	(4,047,000)	(1,547,000)	2,500,000
Bond Sinking Fund	(516,000)	(516,000)	(515,797)	203
Street Construction Fund	(1,000,000)	(1,000,000)	(1,000,000)	-
General Fund	(431,000)	(431,000)	(431,000)	-
Depreciation/Reserve	(1,500,000)	(1,500,000)	-	1,500,000
Total other financing sources (uses)	895,500	(2,278,500)	1,760,435	4,038,935
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES</b>	<u>\$ 919,500</u>	<u>\$ (2,229,500)</u>	1,805,303	<u>\$ 4,034,803</u>
<b>FUND BALANCE</b>				
BEGINNING OF YEAR			7,517,689	
END OF YEAR			<u>\$ 9,322,992</u>	

See accompanying independent auditors' report

## CITY OF MANDEVILLE, LOUISIANA

Schedule of Funding Progress  
Required Supplementary Information Under GASB Statement No. 45

For the year ended August 31, 2011

<u>Fiscal Year Ended August 31</u>	<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded AAL</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>Unfunded AAL as a Percentage of Payroll</u>
2009	9/1/2008	\$ -	\$ 2,932,167	\$ 2,932,167	0.0%	\$ 4,349,852	67.4%
2010	9/1/2008	-	2,932,167	2,932,167	0.0%	4,349,852	67.4%
2011	9/1/2010	-	4,738,306	4,738,306	0.0%	4,632,149	102.3%

See accompanying independent auditors' report

## **SUPPLEMENTARY INFORMATION**



CITY OF MANDEVILLE, LOUISIANANon-Major Governmental Funds - Combining Balance SheetAugust 31, 2011

	<u>Debt Service Fund</u>			<u>Total Non-Major Governmental Funds</u>
	<u>Tax Collector Fund</u>	<u>Bond Reserve Fund</u>	<u>Bond Sinking Fund</u>	
<b>ASSETS</b>				
Cash and cash equivalents	\$ 90,803	\$ 621	\$ 1,066,640	\$ 1,158,064
Investments	465,313	991,721	87,065	1,544,099
Property taxes receivable, net	11,249	-	-	11,249
Total assets	<u>\$ 567,365</u>	<u>\$ 992,342</u>	<u>\$ 1,153,705</u>	<u>\$ 2,713,412</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Interfund payables	<u>83,254</u>	<u>-</u>	<u>-</u>	<u>83,254</u>
Total liabilities	<u>83,254</u>	<u>-</u>	<u>-</u>	<u>83,254</u>
<b>FUND BALANCES</b>				
Restricted for debt service	484,111	984,000	1,153,705	2,621,816
Committed for debt service	<u>-</u>	<u>8,342</u>	<u>-</u>	<u>8,342</u>
Total fund balances	<u>484,111</u>	<u>992,342</u>	<u>1,153,705</u>	<u>2,630,158</u>
Total liabilities and fund balances	<u>\$ 567,365</u>	<u>\$ 992,342</u>	<u>\$ 1,153,705</u>	<u>\$ 2,713,412</u>

See accompanying independent auditors' report

**CITY OF MANDEVILLE, LOUISIANA****Statement of Revenues, Expenditures, and Changes in  
Fund Balances - Non-Major Governmental Fund Types****For the year ended August 31, 2011**

	<b>Debt Service Fund</b>			<b>Total Non-Major Governmental Funds</b>
	<b>Tax Collector Fund</b>	<b>Bond Reserve Fund</b>	<b>Bond Sinking Fund</b>	
<b>REVENUES</b>				
Ad valorem taxes	\$ 25,961	\$ -	\$ -	\$ 25,961
Interest income	7,948	6,014	1,524	15,486
Total revenues	33,909	6,014	1,524	41,447
<b>EXPENDITURES</b>				
General government	21,753	-	-	21,753
Debt service				
Principal	110,000	-	365,000	475,000
Interest and fiscal charges	13,538	-	144,454	157,992
Total expenditures	145,291	-	509,454	654,745
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	(111,382)	6,014	(507,930)	(613,298)
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating transfers in	-	-	515,797	515,797
Total other financing sources (uses)	-	-	515,797	515,797
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES</b>	(111,382)	6,014	7,867	(97,501)
<b>FUND BALANCES - BEGINNING OF YEAR</b>	595,493	986,328	1,145,838	2,727,659
<b>FUND BALANCES - END OF YEAR</b>	\$ 484,111	\$ 992,342	\$ 1,153,705	\$ 2,630,158

See accompanying independent auditors' report

CITY OF MANDEVILLE, LOUISIANASchedule of Compensation Paid to City Council MembersYear ended August 31, 2011

Adelaide Boettner	\$ 12,000
Trilby Lenfant	12,038
Jerry Coogan	12,038
Carla Buchholz	11,106
Jeff Bernard	12,170
	<u>\$ 59,352</u>

See accompanying independent auditors' report

**Independent Auditors' Report on Internal Control over Financial Reporting and on  
Compliance and Other Matters Based on an Audit of Financial Statements Performed in  
Accordance with Government Auditing Standards**

The Honorable Donald J. Villere, Mayor and Members of  
the City Council of the City of Mandeville, Louisiana

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Mandeville, Louisiana (the City), as of and for the year ended August 31, 2011, which collectively comprise the City's basic financial statements and have issued our report thereon dated February 29, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control over Financial Reporting**

Management of the City is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies, or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs, indexed as item 2011-1, to be a material weakness.

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## OTHER REPORT

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A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and questioned costs, indexed as item 2011-2, to be a significant deficiency.

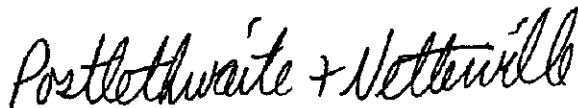
### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2011-3 and 2011-4.

We noted certain other matters that we reported to management of the City in a separate letter dated February 29, 2012.

The City's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the City's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the City, the City's management, and federal awarding agencies and pass-through entities, such as the State of Louisiana and Legislative Auditor's Office and is not intended to be and should not be used by anyone other than these specified parties. However, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.



Metairie, Louisiana  
February 29, 2012

CITY OF MANDEVILLE, LOUISIANA

Schedule of Findings and Questioned Costs

Year ended August 31, 2011

**(A) Summary of Auditors' Results**

*Financial Statements*

Type of auditor's report issued Unqualified

Internal control over financial reporting

- Material weakness(es) identified yes
- Significant deficiency(ies) identified that are  
not considered to be material weaknesses yes

Noncompliance material to the financial statements no

**CITY OF MANDEVILLE, LOUISIANA**

**Schedule of Findings and Questioned Costs**

**Year ended August 31, 2011**

**(B) Findings Relating to the Financial Statements Reported in Accordance with Government Auditing Standards**

**2011-1 Accounting and Financial Reporting**

Criteria	The City should have systems of internal accounting control which ensures the basic financial statements are presented in accordance with U S generally accepted accounting principles on a timely basis
Condition	The City does not have adequate policies, procedures, and related internal controls to prepare accurate and complete financial statements on a timely basis
Context	<p>During our audit, we noted the City performed the reconciliations and analysis of its significant accounts significantly after year end. The frequency and the timing of the reconciliations required the City to make significant adjustments to its financial statements.</p> <p>Significant adjustments were required after year end for the following areas: accounts receivable, capital assets, accounts payable and accrued liabilities, grant expenditures, revenues, and deferred revenues, and government-wide financial statements. In addition, prior period adjustments were required to properly report beginning balances.</p>
Cause	The City does not have appropriate procedures to prepare accurate and complete financial statements in a timely manner in accordance with U S generally accepted accounting principles.
Effect	The City recorded material adjustments to its major accounts to ensure the financial statements were presented in accordance with U S generally accepted accounting principles.
Recommendation	The City should implement a policy in which all significant balance sheet accounts, including all cash accounts, accounts receivable, prepaid expenses, accounts payable, and other liabilities are reconciled on a monthly basis and reviewed for agreement to the general ledger. Reconciliations for all accounts should be performed at least annually. Review of the reconciliations should be performed in a timely manner and should be documented.
Management's Response	The administration agrees that we do not have a formal policy, the city is in the practice of reconciling the banks on a monthly basis and reviewing the investments reports, the administration will formalize the practice, including the recommendations of the auditors.



**CITY OF MANDEVILLE, LOUISIANA**

**Schedule of Findings and Questioned Costs**

**Year ended August 31, 2011**

**(B) Findings Relating to the Financial Statements Reported in Accordance with Government Auditing Standards (continued)**

**2011-2 Segregation of Duties**

Criteria	Adequate segregation of duties is an important aspect of an effective internal control environment
Condition	The City does not have adequate segregation of duties over financial reporting, payroll processing, and wire transfers
Context	<p>During our audit, we noted the following</p> <ul style="list-style-type: none"><li>• The Finance Director has the capability to initiate and approve wire transfers. The Finance Director also has access to post journal entries to the general ledger.</li><li>• The Accountant has access to change payroll pay rates in the payroll system with no documented review or approval, initiates wire transfers, prepares cash reconciliations with no documentation of review, maintains checkbooks for each cash account, and posts journal entries to the general ledger.</li></ul>
Cause	The City's size and staff turnover contributed to the challenge of implementing appropriate segregation of duties.
Effect	Internal controls over financial reporting, payroll processing, and wire transfers were not adequately designed or implemented during the year ended August 31, 2011.
Recommendation	The City should implement proper segregation of duties over financial reporting, payroll processing and wire transfers. Management should implement preventative and detective controls, including timely review of bank statements, cash reconciliations, payroll registers, and payroll rate changes. This review should be documented.
Management's Response	The administration understands with the limited staffing the segregation of duties is a challenge, and will develop procedures and policies to mitigate this finding.

**CITY OF MANDEVILLE, LOUISIANA**

**Schedule of Findings and Questioned Costs**

**Year ended August 31, 2011**

**(B) Findings Relating to the Financial Statements Reported in Accordance with Government Auditing Standards (continued)**

**2011-3 Sales and Use Tax Revenue**

Criteria	The voters of the City passed the 1% sales and use tax dedication with an election held in August 1959. The tax was dedicated to constructing and maintaining playgrounds, public roads and bridges, sewerage, garbage disposal, water works, fire protection, seawalls and beach improvements, and other works of permanent public improvements.
Condition	The City did not have procedures in place to ensure that sales and use tax proceeds were used in accordance with requirements.
Context	The sales and use tax proceeds were used for general operations including police protection.
Cause	The City was unaware of the specific tax requirements relating to the 1% sales and use tax.
Effect	The City was not in compliance with the requirements of the 1% sales and use tax.
Recommendation	The City should ensure that it is in compliance with the sales and use tax requirements.
Management's Response	The Administration, when made aware of the situation, discussed with the City Council, City Attorney, Legislative Auditors and Bond Attorney, to determine the appropriate action to rededicate the tax for the intended use. The administration and City Council move forward to have an election to rededicate the sales tax. The administration will implement a procedure to ensure the funds will be deposited in the appropriate funds.

**CITY OF MANDEVILLE, LOUISIANA**

**Schedule of Findings and Questioned Costs**

**Year ended August 31, 2011**

**(B) Findings Relating to the Financial Statements Reported in Accordance with Government Auditing Standards (continued)**

**2011-4 Sales Taxes on Water Services**

Criteria	Louisiana R S 47 305 (D)(1)(c) exempts from sales tax the sale at retail, the use, the consumption, the distribution, and the storage of water
Condition	The City collected state of Louisiana sales tax amounts of \$53,312 from non-residential customers during the year ended August 31, 2011
Context	The sales tax proceeds were collected in error
Cause	The City was unaware of the specific tax requirements which were effective July 1, 2009
Effect	The City was not in compliance with the requirements as defined in Louisiana R S 47 305
Recommendation	The City should ensure that it is in compliance with the sales tax requirements The City should consult with legal counsel to determine the appropriate use of the taxes collected in error
Management's Response	The Administration will cease collecting the sales tax and will research which the entities are due a refund, and remit or credit their accounts

The Honorable Donald J. Villere, Mayor and Members of  
the City Council of the City of Mandeville, Louisiana

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Mandeville, Louisiana (the City) as of and for the year ended August 31, 2011, which collectively comprise the City's basic financial statements and have issued our report thereon dated February 29, 2012. In planning and performing our audit of the financial statements of the City in accordance with auditing standards generally accepted in the United States of America, we considered the City's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we do not express an opinion on the effectiveness of the Company's internal control.

During our audit we noted certain matters involving internal control and other operational matters that are presented for your consideration. A separate report dated February 29, 2012, contains our report on material weaknesses in the City's internal control. This letter does not affect our report dated February 29, 2012, on the financial statements of the City. These comments and recommendations, all of which have been discussed with the appropriate members of management, are intended to improve internal control or result in other operating efficiencies and are summarized as follows:

2011-5 Escheatment of Unnegotiated Items

Observation

The City's policy and procedures do not provide for routine review of items for escheatment to the State. We noted a number of items on the City's bank reconciliation which should be reviewed for escheatment dating back to 1998.

Recommendation

The City should implement processes and procedures so that outstanding un-negotiated checks are escheated to the State on a timely basis.

Management's Response

The administration agrees that the city needs to implement a process to forward unclaimed property to the state of Louisiana as required for stale dated items or property unclaimed by recipients.

2011-6 Backdating Checks

Observation

The City backdated 213 checks that were cut subsequent to year-end to August 2011 totaling \$473,738. A journal entry was required to properly record cash and accounts payable at August 31, 2011.

Recommendation

The City should implement processes and procedures to ensure that checks are not backdated

Management's Response

The administration is aware of the practice of back dating of checks. The process allows the city to process the payments in the correct reporting period. We understand the concerns of the auditors and will setup a procedure items to be tracked easily. If it is determined that we can change the process, without any major changes, we will eliminate the process.

Our audit procedures are designed primarily to enable us to form an opinion on the financial statements, and therefore may not bring to light all weaknesses in policies or procedures that may exist. We aim, however, to use our knowledge of the City's organization gained during our work to make comments and suggestions that we hope will be useful to you.

We would be pleased to discuss these comments and recommendations with you at any time.

The City's written response to our comments and recommendations has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Mayor, members of City Council, management, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

*Postlethwaite + Netterville*

Metairie, Louisiana  
February 29, 2012